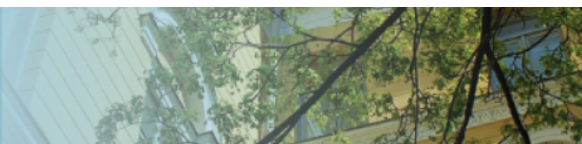


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Flexicurity – the Solution for the Labour Markets Policy Reform **from the European Union Member States**

1. Introduction

Along the decades, the Europeans' way of living and working has undergone numerous changes. The competitive pressures, the development of new products and services, the evolution of structural changes have intensified. The principal common challenges for the employers and employees identified by the European Commission are:

- *the rapid rhythm of European and international economic integration, globalization*, which puts pressure on the low-skilled labour market;
- the rapid development of the new technologies, especially in the field of information and communication which imply *increasingly skills-based service* economy, while traditional employment in crafts, manufacturing and farming declines;
- *the European society's demographic ageing*, together with a relatively low average unemployment rate and a high level of long-term unemployment, which jeopardises the support for social protection systems;
- the increasing *segmentation of labour market* across the EU, which leads to parallel labour markets for high-skilled and low-skilled workers, with little chance for workers to climb the career ladder and in which insiders coexist with outsiders.

Adjusting to the new challenges requires a more flexible labour market combined with security levels that address both *the new employees' needs* and those of the *employers*. Flexibility refers both to flexible labour organizations, capable to adapt rapidly and efficiently to the new production needs and to facilitating the combination of labour and private personal responsibilities. Security, on the other hand, is more than just job security, it represents the persons' endowment with competences which make them able to progress in their active life and help them find a new job.

The political concept, through which EU proposes to adapt the European labour markets to the new challenges, is **flexicurity** which results from the combination of two terms which reflect the fundamental needs on the labour market. The Member States and social partners are asked, through integrated guideline no 21 of the Lisbon Strategy for Growth and Jobs, to promote *flexicurity and reduce labour market segmentation having in mind the social partners role, more exactly to:*

- review and adjust the level of **flexibility in standard contracts** (terms and conditions, work organisation and working time, wage-setting mechanisms and mobility of workers);
- *introduce other forms of contracts to suit the needs of employers and workers;*
- *remove obstacles for temporary work agencies (discrepancies between member states);*

- *promote use of ITC and more flexible working times as tools to modernise work organisation;*
- *improve attractiveness of part-time work;*
- *adapt social protection systems to support workers's mobility.*

Also, the European Commission has been asked, together with the Member States and Social Partners, *to develop a set of common „flexicurity” principles*, as reference document useful in achieving more open, responsive labour markets and more productive jobs¹.

2. Milestones in EU Labour Market Reforms

The most important steps in Europe labour market reform to create more and better jobs are:

- **November 2006** – In order to address to the challenges which European labour markets are facing the Commission published a Green Paper on the reform of European labour law, which initiated a wide –ranging consultation on the issues;
- **November 2006 – March 2007** – Commission public consultation on „Adapting labour law to ensure flexibility and security for all”;
- **8-9 March 2007** – Tripartite Social Summit debates flexicurity definition;
- **27 June 2007** – Commission Communication on flexicurity, entitled: ”Towards Common Principles of flexicurity: More and better jobs through flexibility and security”;

- **29 November 2007** – European Parliament endorsed, by a large majority, its resolution on Common Principles of Flexicurity”;
- **5 December 2007** - Council adopted, anonymously, eight common principles on flexicurity;
- **1 February 2008** –Commission has set up a fact-finding "mission for flexicurity" – an action plan which includes the visit in 4-5 states regarding the development and implementation of the national pathways based on the common Flexicurity principles.
- **March 2008** –the European Council will endorse the Lisbon Strategy's new cycle of integrated guidelines, which will incorporate references to the flexicurity common principles and national pathways. Subsequently, in the last quarter of 2008 (and then in 2009 and 2010), Member States will report on the implementation of their national pathways based on the common principles and illustrated by the "typical pathways";
- **11-12 June 2008** –“Employment week” under the motto "Adapting to change - making Europe a prosperous labour market".

European labour markets are still considered to be too rigid in spite of the EU’s labor market reforms.

3. Flexicurity: Definitions and Dimensions

The concept of „flexicurity” is based, first of all, on the previously mentioned idea that the two sides, flexibility and security, are not contradictory, but support each other, especially in the context of the new challenges. It can be defined as an

integrated strategy for the simultaneous consolidation of flexibility and security on the labour market.

Because the concept is relatively new, the relevant literature is still developing and there is not only one definition of the concept yet which is universally accepted and neither are there the methods for the quantitative characterization thereof. The term flexicurity is found in the literature with several definitions²:

- a) flexicurity as „political strategy” (Wilthagen and Rogowski, 2002)³ and more comprehensive version (Wilthagen and Tros, 2004)⁴;
- b) flexicurity as „social protection” and „deregulation policy” (Keller and Seifert, 2004)⁵, Klammer (2004, 2005),
- c) flexicurity by analogy with the Prague spring motto of „socialism with a human face” (*metaphoric definition*), flexicurity as „analytical concept” (*instrumental definition reflecting both the neo-liberal and the unions’ points of view*); (Tangian Andranik, 2006)⁶
- d) flexicurity as “balancing flexibility and security”, (Cazes and Nesporova”, 2003);
- e) flexicurity „based on the Danish golden triangle”⁷ of P. Kongsoj Madsen;
- f) flexicurity as “operational concept”, (European Commission, 2007).

In this section we will focus on two definitions of flexicurity as instruments to analyse the dimensions of flexibility and security. The two definitions are: the more

comprehensive version formulated by Wiltshagen and Tros (2004) and “operational concept” (European Commission 2007). In the first definition, four aspects are identified for the „flexibility” dimension and four aspects for the „security” dimension which can be considered sub-dimensions of the flexicurity.

4. Dimensions of Flexibility

The external numerical flexibility - ease/difficulty in employment and dismissal and the extent to which limited contracts can be used.

The internal numerical flexibility expresses the employers’ capacity to change the used amount of labour factor within the firm, without resorting to new employment (flexible working-time)

The functional flexibility - different forms of work organization, such teamwork, work rotation, discretion at work etc.

The payment flexibility reflects the capacity to adjust the basic and supplementary payment according to individual performances and the company’s economic status.

Dimensions of security

Job security represents the employees’ protection against dismissals and major changes in the working conditions (the main subject of the legislation regarding the employment protection) related to a specified job.

Employment security represents the fact of ensuring employment, but not necessarily with the same employer and providing equivalent jobs, corresponding to the individual qualifications and the previous working conditions. The professional insertion capacity can be increased by means of providing professional education and training opportunities.

Income security reflects the income protection level in case paid work is discontinued. Guy Standing considers it more generally as income protection through the minimum wage mechanism, salary indexation, comprehensive social security, including progressive taxation, providing the elderly with commissions.

Combined security is providing conciliation between paid work and other social responsibilities and obligations (the equilibrium between working time and spare time, between work and family etc.).

Referring at the **second definition**, the Commission and the Member States, based on analytical experience and proof, have reached a consensus on an operational concept of flexicurity which comprises four components:

- **Flexible and trustworthy contract agreements**

The idea is to help “outsiders”, find a job and obtain a stable contractual agreement and on the other hand to help the “insiders” prepare alone, in time, for **upwards mobility**. The modern labour organizations should promote labour satisfaction and at the same time making companies be more competitive.

5. Comprehensive life-long learning strategies

Life-long learning is the insurance that all the European citizens have the opportunity to have a high quality initial education, that they complete secondary studies, develop key competences and acquire new ones and improve their competences during their active life.

5.1. Active policies on the efficient labour market

The active policies on the labour market help the unemployed return to work through placement services and labour market programmes such as professional training and the creation of jobs. By implementing the active measures policies such as an efficient support in finding a job and larger rewards for work, those looking for a job can be encouraged to find a new employer.

5.2. The modern social security systems

It is important for the EU governments to provide adequate unemployment benefits that will act as a real help when people change their job and to provide health support if they become ill as well as pensions when they retire from active life. Childcare is another important issue, helping people combine work and private life and thus remain on the labour market.

Flexicurity also involves an “aggregation” strategy which means that all the components should be considered together and simultaneously, not selectively.

6. The Flexicurity Models

European Commission clustered the EU Member State into five groups which are not specific for one country but they can help the member states to elaborate the proper flexicurity strategies. One of the most comprehensive analyses of the flexicurity models is included in Employment in Europe 2007 which enlarges the variables and the range of countries included in the survey to a number of 22 of the 27 member states, as compared to 18 in the previous year⁸, the results being quite similar in the case of the countries considered in 2006. The general flexicurity models identified are:

- The Mediterranean model (Spain, Portugal and Italy) – low internal and external flexibility, low security and the lowest score for functional flexibility;
- The Continental model (France, Germany, Belgium, Austria) – high internal flexibility and security, low external numerical flexibility, low (FR) and medium level of the functional flexibility;
- The Anglo-Saxon model (Ireland, UK) – high level of internal flexibility and security, the highest level of external flexibility and low level of the functional flexibility;
- The Nordic model (Denmark, Finland and Sweden, Netherlands) – the highest level of the internal flexibility and security, the medium level of the external flexibility and high level of functional flexibility;

- The Eastern European (Greece, Poland, Hungary, the Czech Republic, Slovakia, Bulgaria, Lithuania, Slovenia, Estonia) – The lowest score for internal flexibility and security, medium level of external flexibility (high EPL) and high score for functional flexibility .

Due to its outstanding success, the Danish flexicurity models is much discussed at EU and member states' level. The model was introduced in 1993 and has resulted in a decline of unemployment from 12% to 5%, while keeping the growth of nominal wage at a steady 3% to 5% per year. It is based on: a flexible labour market makes it easy for employers to hire and fire, but high unemployment benefits of up to 90% of the latest wage make transition from one job to another easy. The Danish model characteristics are: low employment protection, high job and worker mobility and rapid structural changes. The concept of employment security thus replaces traditional job security.

7. The Common Principles of Flexicurity

The common principles can be a useful reference in creating more open and more responsible labour markets and more productive jobs. These should help the member states in establishing and implementing flexicurity strategies, which take into account the challenges, opportunities and specific conditions, with the active involvement of the social partners.

According to the European Commission, the common principles of flexicurity are the following⁹:

1. Flexicurity is a means of reinforcing the implementation of the Lisbon Strategy, create more and better jobs, modernise labour markets, and promote new forms of flexibility and security to increase adaptability, employment and social cohesion.
2. Flexicurity involves the deliberate combination of flexible and reliable contractual arrangements, comprehensive lifelong learning strategies, effective active labour market policies, and modern, adequate and sustainable social protection systems. Also, implies maintaining equilibrium *between the right and obligations of employers, employees, of those looking for a job and public authorities*.
3. Flexicurity must be *adapted to the specific conditions, to the labour markets and industrial relations of the Member States*. This should not represent a singular model of labour market or a single political strategy.
4. Flexicurity aims at *decreasing the distance between those on the labour market and those outside it*. The former need support in order to be trained and protected in the intervals between two jobs. The latter category which includes the unemployed, where women, the young and minorities are dominant, needs to be granted easy access to the labour market and obtain stable work contracts.
5. *Both the internal flexicurity*, the one inside the company, *and external flexicurity*, the one between one company and another, must be *promoted*. As much flexibility in recruiting workforce and in dismissals as possible *must be accompanied by a progress from one job to another which is as safe as possible*. An upward mobility must be facilitated, both in the unemployment intervals and in those of inactivity and

employment. High quality jobs with an efficient management, a good labour organisation, a permanent increase in competences are also part of the flexicurity objectives.

6. Flexicurity must support *the equality of gender* by promoting equal access to employment both for men and for women, by providing opportunities to reconcile professional life with family life and by ensuring equal opportunities for migrants, the young, persons with disabilities and the elderly.

7. Flexicurity needs *a confidence climate and a permanent dialogue between the public authorities and social partners*, within which everyone is ready to take on responsibilities for change and where balanced sets of policies can be created.

8. Flexicurity requires cost-effective allocation of resources and should remain fully compatible and financially sustainable public budgets.

8. Conclusions

The Europe must continue the labour market reform in order to create more and better jobs and an important element for realise this is the improving adaptability at the globalization process of the employers and employees. In present, flexicurity is recognised in whole Europe as a crucial approach for this and for the segmentation reducing too.

Flexicurity is a difficult concept to tackle analytically, largely due to its holistic nature. The dimensions of flexibility and security can be further sub-divided into

several subcomponents, requiring the use of a variety of information sources. In the same time, flexicurity is a broad concept that can help understand trajectories of socio-economic regimes. It is needed a complete seen of the flexicurity indicators for each country to can develop the specific pathways of implementing flexicurity based on the common principles.

Recent analyse¹⁰ suggests that the new forms of work organisation are associated with positive outcomes in the labour market and increased job satisfaction.

The flexicurity may not be realized through a universal modality, but a micro and macroeconomic political mix specific for each country will work. The key which assures that flexicurity will generate benefits for all is the active involvement and the responsibilities assuming by the social partners for all levels.

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¹ Presidency conclusions, European Council 23/24 March 2006 and 8 March 2007, 7.

² Ciucă Vasilica, Pașnicu Daniela, Son Liana, Marioara Iordan (2008) “Defining Flexicurity from the EU strategic perspective and harmonising with the partners social point of view”, Agora, ISBN 978-973-8295-63-6, 17.

³ Wilthagen and Rogowski, 2002: 250.

⁴ Wilthagen, T. and F. Tros (2004). "The Concept of “Flexicurity”": A new approach to regulating employment and labour markets:5.

⁵ Keller and Seifert 2004: 226.

⁶ Tangian Andranik (2006) European flexicurity: concepts (operational definitions), methodology (monitoring instruments), and policies (consistent implementations) WSI-Diskussionspapier Nr. 148 October 2006:25.

⁷ Madsen Per Kongshøj (2006). “*Flexicurity – A new perspective on labour markets and welfare states in Europe*”. CARMA Centre for Labour Market Research Aalborg University , Research paper 2006:7.

⁸ European Commission, *Employment in Europe 2006: 105-107*.

⁹ Towards common principles of Flexicurity: more and better jobs through flexibility and security, European Commission, July 2007, 20.

¹⁰ European Commission, *Employment in Europe 2007: 170- 180*.